C5150-4
12/13/87

Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail management

December 1987

EX
0034765C
KEVIN KENDRICK
CONGRESSIONAL INFO SVC
4520 EAST WEST HWY STE 800
BETHESDA MD 20814
IXN

Hitting the target customer

Annual Full-Issue Retail Advertising and Promotion Study

TWENTY FIVE DOLLARS A YEAR (USA)

CONTENTS

TECHNOLOGY ON THE SELLING FLOOR

Electronically-based sales promotion tools are making their way onto the selling floor, alternately intimidating and fascinating the average consumer. Mainstream retailers, after watching experimentation by their more adventuresome peers, are showing a greater willingness to invest in such tools. 35

SANTABEAR IS BACK IN TOWN, THIS TIME WITH A FRIEND

Dayton Hudson's lovable plush toy is playing a return engagement this Christmas season, joined by his new companion Miss Bear. 29

From the Editor's Desk 4
Perspectives 7
New Equipment & Services . . 52
Advertising Index 54

DEPARTMENTS

Taking a non-traditional route: New advertising vehicles are coming into vogue as more retailers explore some of the new computer-based technologies available to them. . 11

Survey: As store competition intensifies, retailers are upping their advertising budgets, according to a *Chain Store Age Executive* survey. 16

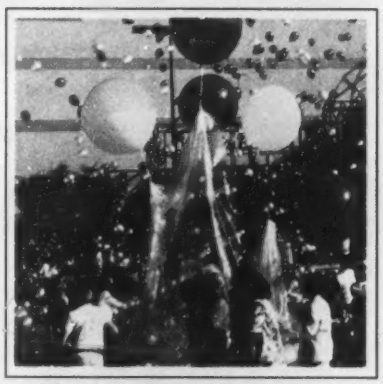
Frequent Z: Framingham, Mass.-based Zayre Stores is the latest retailer to institute a sales incentive program. 18

Spokespig speaks out: Piggly Wiggly Carolina Co., headquartered in Charleston, S.C., enlivened its television advertisements by using a pig as its corporate spokesman. . 40

Radio hits a missing market: Consumer electronics retailer Newmark & Lewis, based in Hicksville, N.Y., is using radio advertising to attract the youth market. 42

It isn't Broadway, but . . .: Ernst Home & Nursery is using billboards as a new form of promoting specific merchandise categories. 46

SHOPPING CENTER AGE



IT'S OPENING DAY AT LAST: THE BIG EVENT HAS ARRIVED

After a lengthy gestation period, the mall is finally ready to open. Cooperation between developers and retailers can certainly help to get the message out and the retailers in. This means, though, that the communication process has to begin well before the doors are opened. 23

Chain Store Age EXECUTIVE
with Shopping Center Age
The newsmagazine for retail management

LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, N.Y. 10022
212 371-9400
Subscription Services, ext. 379 or 419
Cable Address: LEBHAFRIED
Panafax: 212 836-9487

Associate Publisher/National Advertising Manager **JOHN RAPUZZI**
Editor **JACQUELYN BIVINS**

Managing Editor **Mary Alice Elmer**
Senior Editor **Holly Klokis**
Associate Editor **Rhonda Razzano**
Associate Editor **Alice Bredin**
Associate Editor **Debra Hazel**
Editorial Assistant **Mary Beth McMahon**
Art Director **Milton Berwin**
Advertising Production Manager **Jack Degnan**
Research Director **Anne Frasciello**
Circulation Director **Steve Pippin**
Production Director **Stan Kaufman**

Real Estate Advertising Sales Managers **Risa L. Seligman, Brenda Bashian**
SPECS/New Store of the Year Coordinator **Barbara Hagan**

VP/Group Publisher **James T. deGRAFFENREID**

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Publication Services **Barry Braverman**
VP/Planning **Harry A. Estes**
VP/Finance **James Granato**
VP/Human Resources **Richard D. Groberg**
VP/Editorial Director **David Q. Mahler**
VP/Sales **C. Reese Musgrave**
Assistant VP/Circulation **Ellis E. Rowland**

REGIONAL OFFICES

Boston 1 Gateway Center, Newton, Mass. 02158, 617-527-6394
VP/Regional Manager **Robert T. Perry**
Area Manager **Chris Harrison**

Cleveland Summit One Building, 4700 Rockside Road, Independence, OH 44131, 216-642-3420
Office Manager **Martha MacVean**

Chicago, 444 N. Michigan Ave., Chicago, Ill. 60611, 312-644-8688
Regional Manager **Ed Nessel**
District Manager **William Epmeier**

Los Angeles, 606 N. Larchmont Blvd., Los Angeles, Calif. 90004, 213-464-8321
Regional Manager **John Donoghue**

San Francisco 400 Montgomery St., San Francisco, Calif. 94104, 415-362-2575
Regional Manager **Dick Harrigan**

Washington 117-35 Striley Drive, Washington, D.C. 20861, 301-774-3895
Manager, Correspondent **Kenneth Rankin**

Japan, Diamond-Friedman Ltd., Chain Store Age News Japan, 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

ABC MPA

Publisher of Chain Store Age Executive (with Shopping Center Age), Chain Store Age General Merchandise Trends, *APPAREL merchandising*, Discount Store News, Nation's Restaurant News, National Home Center News, Drug Store News, Computer+Software News. Affiliates: Business Guides Inc.; Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions

Call (212) 371-9400 ext. 379 or 419

Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Chain Store Age Executive magazine, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

Permissions

Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to James T. deGraffenreid, publisher, Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022.

Chain Store Age Executive (USPS 054-410; ISSN 0193-1199), is published monthly by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022, on a controlled basis to qualified retailers, real estate and shopping center developers and operators, architects and design firms, and at $25 a year; outside U.S.A.: Canada $26 (U.S. $) a year; elsewhere $75 a year, air-mail only. Single copy price: $2. Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 63, No. 12 Copyright © 1987 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Chain Store Age—Executive Edition, Subscription Department, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

REACHING PEOPLE ONE BY ONE

So many times these days we hear retailers (and shopping center developers) talking about the topic of "marketing." What I can't help but wonder, though, is whether most of them aren't just paying lip service to the concept.

I was vividly reminded of what "marketing" is really all about at the International Council of Shopping Centers' recent MAXI awards presentation ceremony. (The prestigious MAXI awards honor excellence in shopping center marketing in a variety of categories.)

Not only was I wowed by the creativity inherent in the winning entries (it's a fortunate retailer who finds himself with stores in any of these winning centers), but I was startled by the simple observation made by one of the recipients. "The goal of marketing is to touch people one by one," she said. That statement is simplicity itself. Why then is that goal so difficult to achieve?

I think part of the problem is rooted in the fact that many retailers don't even know who those people are. Or, to phrase this in marketing vernacular, they lack a clear view of their target customers. This may be because they fail to use all of the market research tools available to them. Or it may be because they delude themselves about who they are attracting to their stores.

For example, they may think that their stores are attracting the 25 to 40 year old career woman. In truth, their merchandise assortments and their overall store ambience may be much more attractive to a teenage girl looking for faddish merchandise than to a somewhat older, more affluent customer looking to make a long-term investment in her wardrobe.

Perhaps what the entire marketing process should begin with is the corporate mission statement. This, too, is a simple idea: management putting down in words who the company is, including what it is selling and who it hopes will buy its products. I suspect, though, that there are still many, many companies who haven't even taken this first step. It's no wonder, then, that many of them aren't communicating the right message—they don't even know what that message should be.

There are, however, many retailers who manage to do exactly what the MAXI recipient suggested. They manage to reach out and touch people—the very people who will want to shop in their stores. Their ability and their creativity are what *Chain Store Age Executive* is honoring with this annual full-issue study of Retail Advertising and Promotion. It is hoped that others will learn from their success.

—Jacquelyn Bivins

NEW STORE COMPETITION DRIVES AD BUDGETS

CHAIN STORE AGE EXECUTIVE SURVEY SEES 1988 EXPENDITURES AT $7.6 MILLION

How much has the average retailer spent this year to reach its target customers? The answer is approximately $7.3 million in 1987—at least according to the participants in a recent research study conducted by *Chain Store Age Executive*. This study sought to examine consumer advertising and promotion expenditure patterns among various classes of retail trade.

This year's expenditures are up significantly from the average of $6.5 million spent per company in 1986 by the survey participants; expenditures are projected to rise to an average of $7.6 million in 1988.

There are, however, major variations in the size of advertising and promotion budgets when the results of the survey are examined by retail categories. Department stores are clearly outspending other retailers. In 1986 department stores participating in this survey spent on average $14.6 million on advertising; this year that number has risen to $15.2 million. Budgets are expected to be fattened even further next year, up to $15.7 million.

(It should be noted, though, that department stores are picking up much of these costs through their extensive use of co-op advertising allowances.)

Second to department stores are supermarkets. Having spent on average $9.6 million on advertising in 1986, this year the survey respondents report they are hitting the $10 million mark. Next year they expect to spend even more: $10.4 million.

Following well behind these spenders are the discounters surveyed. They spent $6.2 million last year, expect to have spent on average $6.5 million this year, and will up their budgets only slightly next year to $6.7 million.

Home centers, too, are in general increasing their budgets, but at an equally slow rate of growth. Those chains surveyed in this group report that they spent $4.6 million in 1986, have spent $4.9 million in 1987, and will spend $5.2 million in 1988.

Drug chains surveyed spent an average of $3.9 million in 1986, will spend $4 million this year, and expect to spend $4.2 million in 1988. Apparel specialty retailers spent an average of $2.9 million in 1986, expect to have spent $3.2 million before the end of this year, and are projecting 1988 advertising budgets of $3.4 million.

Apparel chains are the second highest retail category in terms of the percentages of sales they are devoting to advertising. In 1986 the apparel chains participating in this survey spent an average of 2.9% of sales for these budgets, upping this slightly to 3% in 1987 and expecting to further boost this to 3.1% in 1988.

The per company percentages for the other retailers surveyed in each category are as follows:

- Department stores: 3.5% in 1986, unchanged this year, projected to decline to 3.2% in 1988;
- Discount stores: 2.8% in 1986, same in 1987, and 2.6% next year;
- Drug chains: 1.9% last year, 2.0% this year, and the same level projected for 1988;
- Home centers: 2.4% in 1986, 2.3% this year and expected to remain at the same relative level next year;
- Supermarkets: 1.8% of sales in 1986 (recognizing these are generally the largest dollar volume retailers), 1.9% this year and expected to remain at the same level next year.

Examining the advertising expenditures by these chains in a somewhat different way, 64% of the retailers surveyed said that they spent more on consumer advertising this year than they did in 1986; the average increase in dollars spent was 8%.

For those retailers reporting increases, the primary reason given was "opened stores in new market area," cited by 45% of these respondents. Other major reasons for the higher level of expenditures were "increased competition in market area" (40%), "newly remodeled stores" (35%), and "opened additional stores in existing market areas" (33%).

Looking ahead to 1988, 62% of the respondents indicate they expect to spend more on consumer advertising; the average increase projected is 6.4% over 1987's spending levels. (Thirty-one percent report they expect expenditures to remain the same; 6% expect a decrease.)

Broken down by retail classifications, the largest group projecting 1988 spending increases are the home center operators who participated in this survey, with 73% expecting to spend more on advertising next year. This group is also projecting the largest average increase, 7.8%.

Supermarkets follow, with 70% of these participants expecting to up their budgets by an average of 5.9%. Following further in descending order of the percentage of respondents increasing next year's budgets are the following: 60% of the apparel retailers surveyed, with an average increase of 7.2%; 57% of both the department and discount stores, with average increases of 5.9% and 5.5% respectively; and 53% of the drug chains surveyed, with an average increase of 5.8%.

However, not only do advertising expenditures appear to be on a general upswing, but many of these re-

tailers are making changes in how these dollars are spent. For example, price/item advertising, while continuing to account for the lion's share of advertising dollars spent, is expected to receive somewhat less emphasis next year. Instead, many of the retailers surveyed, apparel specialty chains in particular, expect to spend a larger proportion of funds on image advertising in 1988.

In general, retailers are also taking a closer look at their media mix—and often making some changes. Broadcast advertising (especially television) is growing in popularity among almost all categories (the exception being supermarkets).

Also growing in popularity is the use of direct mail advertising. Apparel chains, discounters, drug stores, home centers and supermarkets all expect to devote more of their advertising budgets to this category in 1988. Conversely, department stores, which have traditionally been large users of direct mail, are expecting to devote a significantly smaller percentage of their budget (down to 15% from this year's 20%) to this medium.

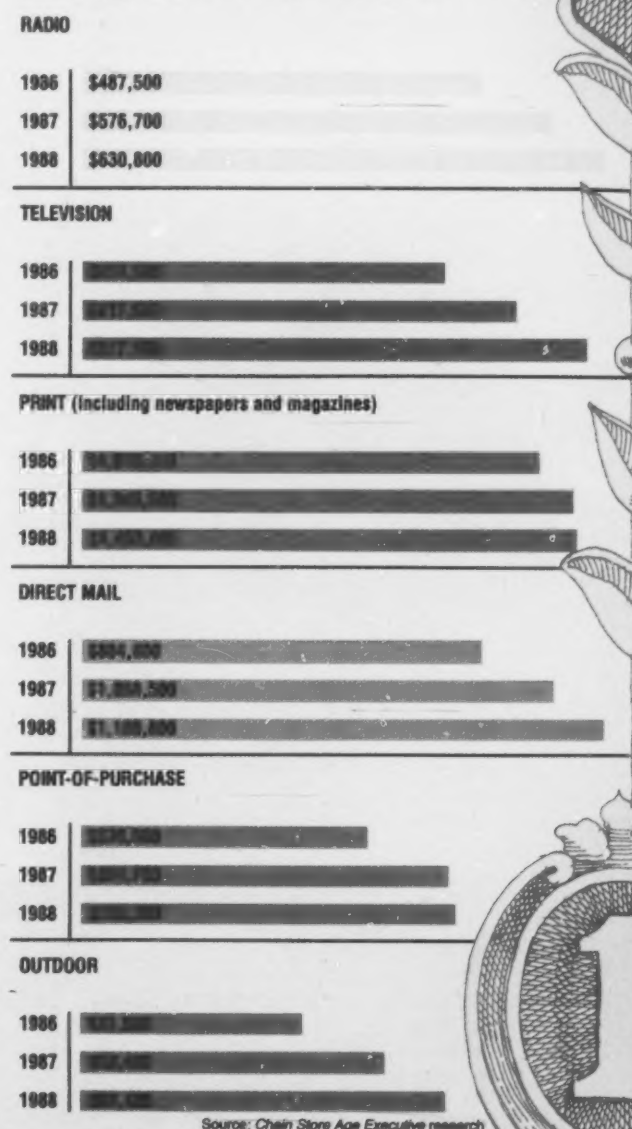
The situation is more mixed when it comes to the projected use of print advertising (newspapers and magazines). Department stores, discount chains, and supermarkets all expect to spend a slightly higher percentage of their budgets on these advertising vehicles in 1988. (The percentage the apparel chains are expecting to spend remains unchanged.) On the other hand, drug chains and home centers are expecting to spend a somewhat larger percentage.

Who at the chain headquarters is making such decisions? The survey indicates, not surprisingly, that the vp/director of advertising is the most involved overall in setting the advertising budget and selecting the various media to be used. However, when it comes to setting the actual advertising strategy, the chain's ceo/president also becomes very much involved.

In addition, an overwhelming majority of the respondents surveyed (84%) report that they have their own in-house advertising department that develops the necessary consumer advertising. Only 14% of the total sample utilizes an outside agency (although apparel retailers and drug chains are slightly more likely to use an outside source).

Overall, the average size of the in-house advertising department is 17 people. Their job: to make sure that the larger and larger sums of money being spent on retail advertising and promotion are reaching the right targets. It's not an easy task. ■

Average media expenditures



Source: *Chain Store Age Executive research*